

**ALPINE CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2006**

ALPINE CITY

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ALPINE CITY

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INDEPENDENT AUDITOR'S REPORT

October 24, 2006

Honorable Mayor
Members of the City Council
Alpine City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alpine City, Utah (City) as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 24, 2006 on my consideration of Alpine City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alpine City's basic financial statements. The combining nonmajor fund financial statements and the schedule of impact fees described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of impact fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.


Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This document is a narrative overview and analysis of the financial activities of Alpine City for the fiscal year ending June 30, 2006. Alpine City management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities refers to general administration, parks, streets, planning etc, while business-type activities refers to operations such as the sewer, water, and pressurized irrigation.

FINANCIAL HIGHLIGHTS

- The total net assets of Alpine City increased by \$3,790,874 totaling \$53,424,793. The governmental net assets increased by \$2,784,215 and the business-type net assets increased by \$1,006,659.
- The total net assets of governmental and business-type activities is \$53,424,793, and is made up of \$41,092,059 in capital assets, such as land, infrastructure and equipment, and \$12,332,734 in other net assets. The \$12,332,734 in other net assets is made up of \$2,344,091 which is restricted for capital projects such as the purchase of park land; \$77,984 is restricted for debt service primarily for the pressurized irrigation bond; \$394,871 for endowments. Finally, the remaining \$9,515,788 is unrestricted assets.
- Total long-term liabilities of the City decreased by \$415,306. The long term debt for government activities decreased by \$4,730. The business-type activities long term debt decreased by \$410,576.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Alpine City's basic financial statements. Alpine City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Alpine City's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Alpine City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Alpine City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of

the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Alpine City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 13-15 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Alpine City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund, Capital Projects Fund, and Impact Fees Fund. The balance of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- **Proprietary funds** - Alpine City maintains one type of proprietary fund, the enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Alpine City uses enterprise funds to account for its Pressurized Irrigation Utility, Culinary Water Utility, Sewer Utility, and Storm Drain Utility. As determined by generally accepted accounting principles, the pressurized irrigation, culinary water and sewer enterprise funds meet the criteria for major fund classification.

Fiduciary funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Alpine City, assets exceed liabilities by \$53,424,793.

By far the largest portion of Alpine City's net assets (76.9%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS (In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
Current and Other Assets	\$ 4,105	\$ 4,184	\$ 5,789	\$ 6,805
Capital Assets	28,578	25,549	23,328	21,680
Total Assets	32,683	29,733	29,117	28,485
 Long-term Debt Outstanding	 697	 595	 283	 263
Other Liabilities	287	224	7,109	7,504
Total Liabilities	984	819	7,392	7,767
 Net Assets:				
Invested in Capital Assets, Net of Debt	26,756	25,064	14,336	13,505
Restricted	1,587	252	1,230	1,763
Unrestricted	3,356	3,600	6,159	5,450
Total Net Assets	\$ 31,699	\$ 28,916	\$ 21,725	\$ 20,718

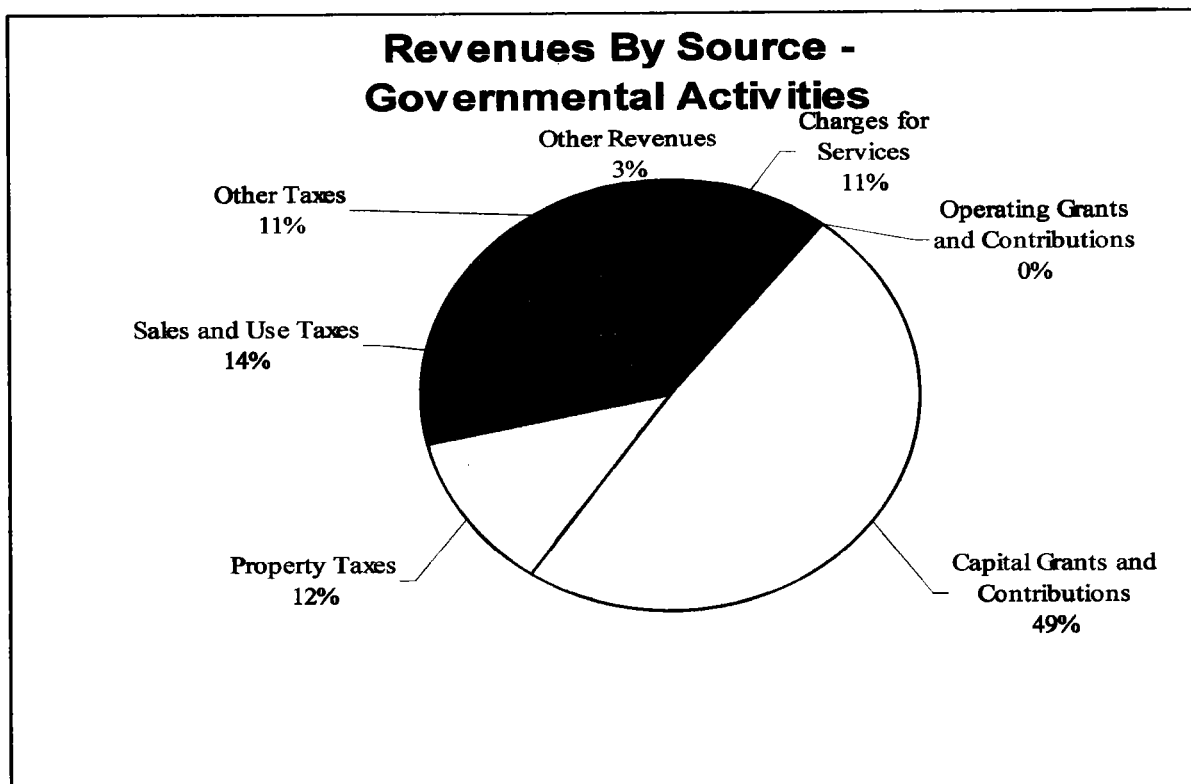
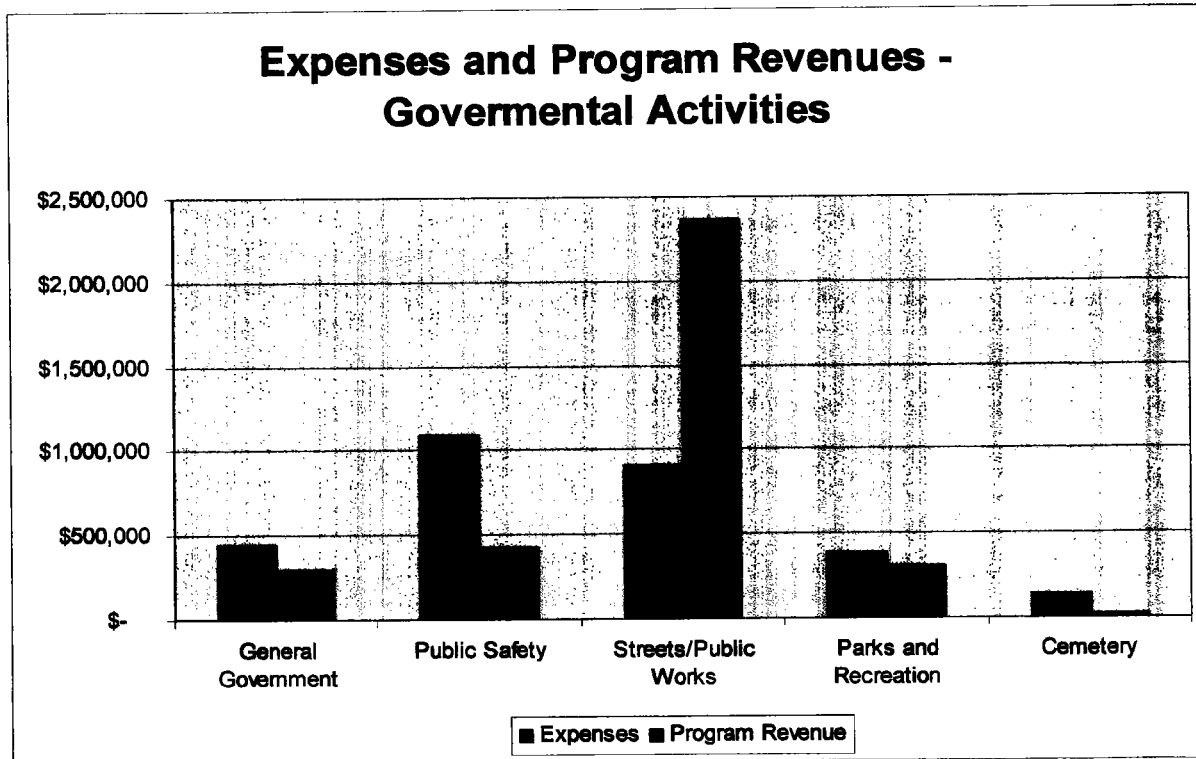
CHANGES IN NET ASSETS
(In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
Revenues				
Program Revenues				
Charges for Services	\$ 602	\$ 732	\$ 1,993	\$ 1,940
Operating Grants and Contributions	3	3	-	-
Capital Grants and Contributions	2,807	1,667	950	1,112
General Revenues				
Property Taxes	674	611	-	-
Sales and Use Taxes	801	674	-	-
Other Taxes	645	554	-	-
Other Revenues	196	93	318	174
Total Revenues	<u>5,728</u>	<u>4,334</u>	<u>3,261</u>	<u>3,226</u>
Expenses				
General Government	438	704	-	-
Public Safety	1,093	1,062	-	-
Streets/Public Works	901	850	-	-
Parks and Recreation	385	394	-	-
Cemetery	135	77	-	-
Interest Expense	3	1	-	-
Water	-	-	525	484
Sewer	-	-	606	548
Pressurized Irrigation	-	-	724	754
Garbage	-	-	333	299
Storm Drain	-	-	56	85
Total Expenses	<u>2,955</u>	<u>3,088</u>	<u>2,244</u>	<u>2,170</u>
Increase in Net Assets Before Transfers	<u>2,773</u>	<u>1,246</u>	<u>1,017</u>	<u>1,056</u>
Transfers	11	11	(11)	(11)
Change in Net Assets	<u>2,784</u>	<u>1,257</u>	<u>1,006</u>	<u>1,045</u>
Net Assets Beginning	28,916	27,659	20,719	19,674
Net Assets Ending	<u>\$ 31,700</u>	<u>\$ 28,916</u>	<u>\$ 21,725</u>	<u>\$ 20,719</u>

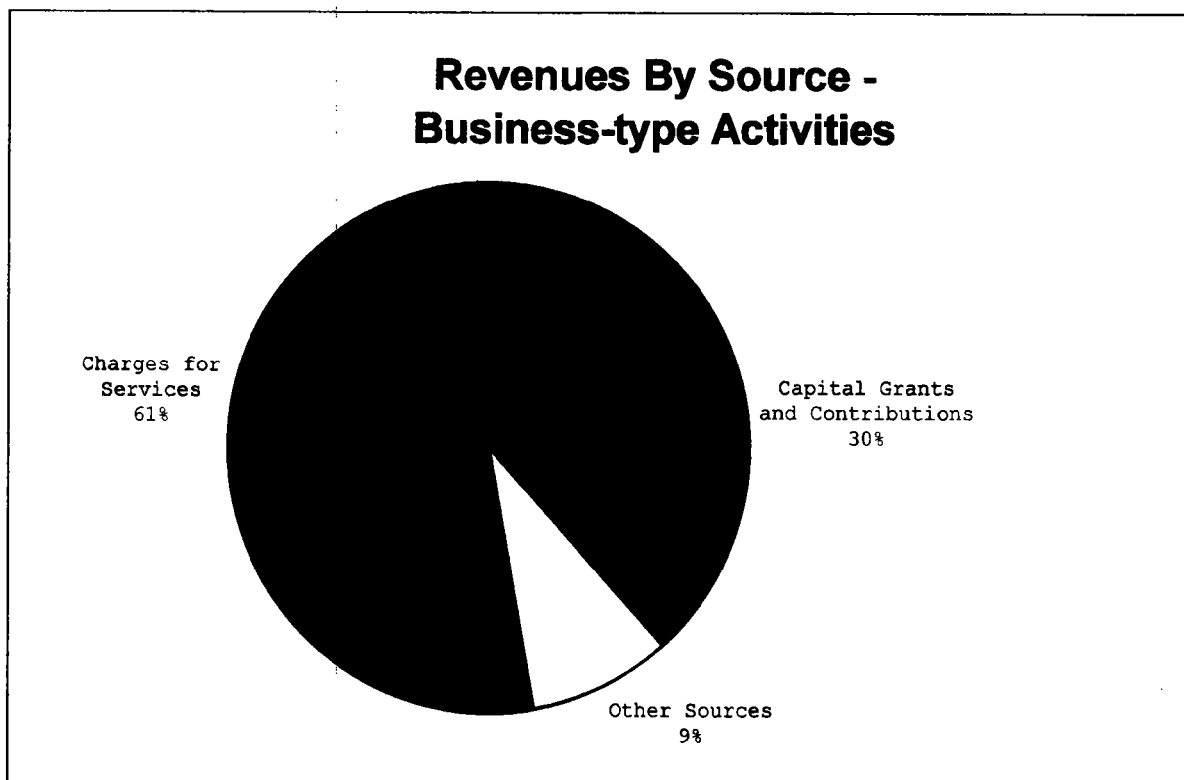
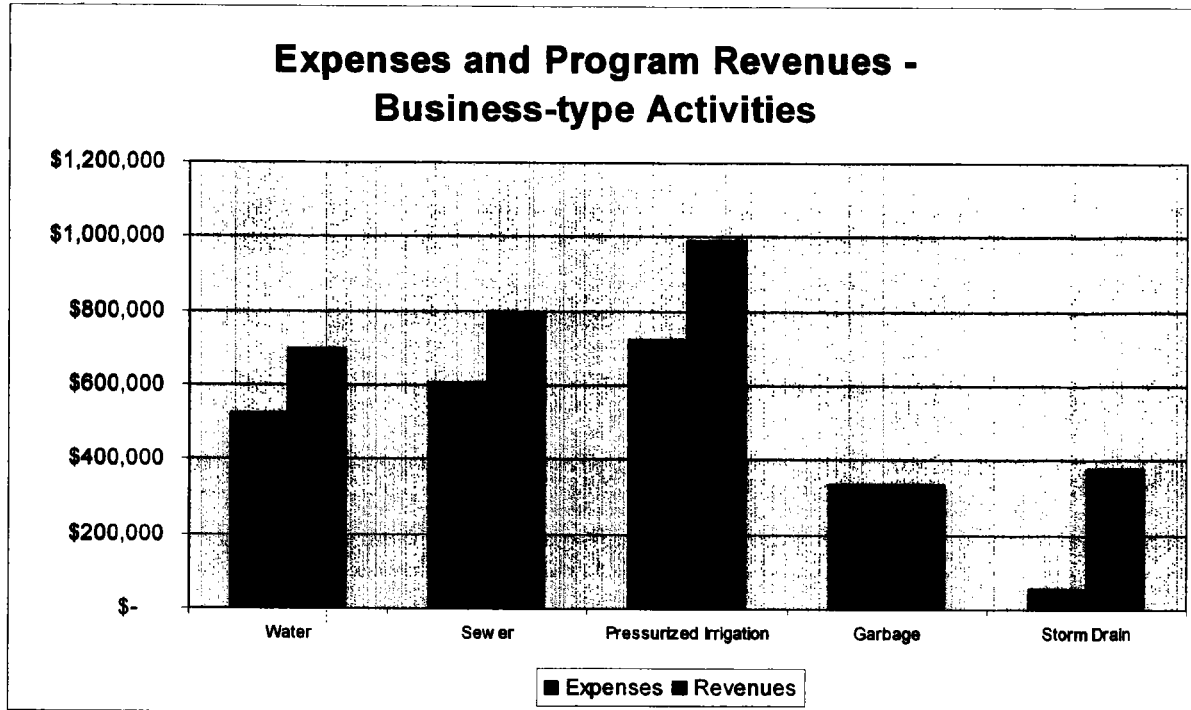
Some of the governmental activities for the fiscal year included the completion of construction on the Canyon Crest Landscaping at a cost of \$20,712. The City also lease purchased a street sweeper for \$18,974 per year. The City Shop was remodeled at a cost of \$27,832. The City also purchased a tent for Alpine Days in the amount of \$4,500. The City also accomplished street overlays at a cost of \$228,215.

The major Business-type activities expenditures were used for the completion of a new filter for the Fork Creek Pressurized Irrigation Pump station for \$18,000, new storm drain system on Alpine Drive, and the implementation of a curb side recycling program at a cost to the residents of \$4.50 per month. The City also expanded the Cemetery by 350 lots which will allow the moratorium on the sale of Cemetery lots to be lifted. The City also received a Grant from the Energy Solutions Environmental Foundation in the amount of \$105,000 for the clean up of Lambert Park.

The following graphs display the government-wide activities as reflected in the above tables. Program revenues included in the first graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and use taxes, etc. are not included.



As can be seen from the following charts, the majority of revenues in the business-type activities are in charges for services, with 61% of the revenues coming from this source. The revenues from capital grants and contributions represent the value of infrastructure systems donated to the City via subdivisions being developed.



FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2006, the City's governmental funds (General, Capital Projects and Debt Service) reported combined fund equity of \$4,536,451. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended to add funds for increased attorney's costs for the Justice Court and for increased costs for building inspection. The budget was also amended to add \$20,000 for increased asphalt costs for street repair projects. Minor changes were made to other departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Alpine City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$48,214,811 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment. The total increase in the City's investment in fixed assets for the current year was \$2,232,899.

Major capital asset events during the current fiscal year included the following:

The large majority of the City's capital assets this year came from developer donations. For example, Whitby Woodland Park was donated this year along with curb, gutter, streets, and sidewalks. Below is a list of major developments (3 lots or more) recorded this year: Jackson Subdivision, North Grove Subdivision, Taylor Meadows, McNeal #2 Subdivision, Alpine Olde Towne Center.

- The following annexations were approved: McNeil #2 & Heritage Hills.
- Purchase was authorized for a dump truck and plow for \$86,092.
- Rest rooms were added to the rodeo grounds and the bowery in Lambert Park at a cost of \$29,516.

- Constructed the Alpine Drive Storm Drain Improvements in the amount of \$322,816.
- Purchase of a new lawn mower for \$13,000 which allows the City to improve its turf maintenance system.
- Completed landscaping on the Southpointe Detention Basin with the work accomplished by the City public works department.

ALPINE CITY'S CAPITAL ASSETS
(Net of Depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
Capital Assets Not Being Depreciated				
Land	\$ 13,956	\$ 12,605	\$ 392	\$ 392
Water Shares	-	-	31	31
Capital Assets Being Depreciated				
Buildings and Structures	1,424	1,397	215	215
Improvements and Infrastructure	19,158	18,103	25,159	24,073
Machinery, Equipment, and Vehicles	463	453	327	320
Total	35,001	35,558	26,124	25,031
Less Accumulated Depreciation	(8,245)	(7,489)	(4,666)	(4,118)
Total Capital Assets	\$ 26,756	\$ 25,069	\$ 21,458	\$ 20,913

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt - At June 30, 2006, the City had total debt outstanding of \$7,396,389. The majority of Alpine City's long term debt, \$7,195,000, is debt secured solely by specific revenue sources (i.e., revenue bonds within the Pressurized Irrigation Fund).

ALPINE CITY'S OUTSTANDING DEBT
(In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2005-2004</u>
Revenue Bonds	\$ -	\$ -	\$ 7,195	\$ 7,600
Capital Leases	-	5	-	6
Compensated Absences	287	219	45	36
Total	<u>\$ 287</u>	<u>\$ 224</u>	<u>\$ 7,240</u>	<u>\$ 7,642</u>

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The major projects budgeted for next year include the improvement of Westfield Road which consist of improving sidewalk, curb, gutter, and streets. The budget also includes reconstruction of the Legacy Park Gazebo, playground equipment at Smooth Canyon and South Pointe, construction of restrooms at City Park and Smooth Canyon Park, The City Council also voted to set the property tax at the rate of 0.001091.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Alpine City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

City Administrator,
20 N Main St
Alpine, UT 84004

BASIC FINANCIAL STATEMENTS

ALPINE CITY

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 3,349,157	\$ 5,607,841	\$ 8,956,998
Accounts Receivable	756,459	181,314	937,773
TOTAL CURRENT ASSETS	4,105,616	5,789,155	9,894,771
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	1,821,554	1,869,226	3,690,780
Capital Assets			
Non Depreciable	13,956,562	422,805	14,379,367
Depreciable Assets (net of Depreciation)	12,799,823	21,035,621	33,835,444
TOTAL NONCURRENT ASSETS	28,577,939	23,327,652	51,905,591
TOTAL ASSETS	32,683,555	29,116,807	61,800,362
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	696,721	237,668	934,389
Contingent Liability	-	44,791	44,791
TOTAL CURRENT LIABILITIES	696,721	282,459	979,180
NONCURRENT LIABILITIES			
Due Within One Year	38,294	264,934	303,228
Due in more than One Year	248,711	6,844,450	7,093,161
TOTAL NONCURRENT LIABILITIES	287,005	7,109,384	7,396,389
TOTAL LIABILITIES	983,726	7,391,843	8,375,569
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	26,756,385	14,335,674	41,092,059
Restricted for			
Capital Projects	1,192,230	1,151,861	2,344,091
Debt Service	-	777,984	777,984
Endowments	394,871	-	394,871
Unrestricted	3,356,343	5,459,445	8,815,788
TOTAL NET ASSETS	\$ 31,699,829	\$ 21,724,964	\$ 53,424,793

See the accompanying notes to the financial statements

ALPINE CITY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			Capital Grants and Contributions
General Government	\$ 438,423	\$ 122,697	\$ -
Public Safety	1,092,579	416,775	3,385
Streets	901,471	-	-
Parks and Recreation	385,249	39,305	-
Cemetery	134,883	23,100	-
Interest on Long-Term Debt	2,981	-	-
Total Governmental Activities	2,955,586	601,877	3,385
Business-type Activities			
Water	525,042	459,049	-
Sewer	605,962	479,405	-
Pressurized Irrigation	723,874	634,606	-
Garbage	332,722	335,763	-
Storm Drain	55,650	84,313	-
Total Business-type Activities	2,243,250	1,993,136	-
TOTAL PRIMARY GOVERNMENT	\$ 5,198,836	\$ 2,595,013	\$ 3,385

General Revenues
 Property Taxes
 Vehicle Taxes
 Sales Taxes
 Franchise Taxes
 Unrestricted Investment Earnings
 Miscellaneous
 Transfers
 Total General Revenues and Transfers
 Change in Net Assets
 Net Assets - Beginning
 Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets**Primary Government**

Governmental Activities	Business-type Activities	Total
\$ (142,126)	-	\$ (142,126)
(672,419)	-	(672,419)
1,464,378	-	1,464,378
(77,867)	-	(77,867)
(111,783)	-	(111,783)
(2,981)	-	(2,981)
<u>457,202</u>	<u>-</u>	<u>457,202</u>
-	107,945	107,945
-	63,756	63,756
-	175,576	175,576
-	3,041	3,041
-	<u>349,392</u>	<u>349,392</u>
-	<u>699,710</u>	<u>699,710</u>
<u>457,202</u>	<u>699,710</u>	<u>1,156,912</u>
674,107	-	674,107
69,316	-	69,316
800,556	-	800,556
576,133	-	576,133
190,733	303,456	494,189
5,168	14,493	19,661
11,000	(11,000)	-
<u>2,327,013</u>	<u>306,949</u>	<u>2,633,962</u>
2,784,215	1,006,659	3,790,874
<u>28,915,614</u>	<u>20,718,305</u>	<u>49,633,919</u>
<u>\$ 31,699,829</u>	<u>\$ 21,724,964</u>	<u>\$ 53,424,793</u>

ALPINE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	Governmental-type Activities				
	Capital Projects			Nonmajor Governmental Funds	Total Governmental Funds
	General	Capital Projects	Impact Fees		
ASSETS					
Cash and Cash Equivalents	\$ 241,216	\$ 3,107,941	\$ -	\$ -	\$ 3,349,157
Accounts Receivable	70,308	-	-	-	70,308
Property Taxes Receivable	669,432	-	-	-	669,432
Franchise Taxes Receivable	16,719	-	-	-	16,719
Restricted Cash	589,938	-	836,745	394,871	1,821,554
TOTAL ASSETS	\$ 1,587,613	\$ 3,107,941	\$ 836,745	\$ 394,871	\$ 5,927,170
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	\$ 44,912	\$ -	\$ -	\$ -	\$ 44,912
Compensated Absences	38,294	-	-	-	38,294
Developer Completion Bonds Payable	207,089	-	-	-	207,089
Infrastructure Protection Bonds Payable	-	387,180	-	-	387,180
Open Space Bonds Payable	-	57,540	-	-	57,540
Deferred Revenue	655,704	-	-	-	655,704
TOTAL LIABILITIES	945,999	444,720	-	-	1,390,719
FUND BALANCE					
Reserved					
Class C Roads	355,485	-	-	-	355,485
Capital Projects	-	2,663,221	836,745	-	3,499,966
Endowments	-	-	-	394,871	394,871
Unreserved	286,129	-	-	-	286,129
TOTAL FUND EQUITY	641,614	2,663,221	836,745	394,871	4,536,451
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,587,613	\$ 3,107,941	\$ 836,745	\$ 394,871	\$ 5,927,170

See the accompanying notes to the financial statements

ALPINE CITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2006

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 4,536,451
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Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	26,756,385
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	655,704
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(248,711)</u>
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TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 31,699,829</u>
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ALPINE CITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Governmental-type Activities				
	Capital Projects		Nonmajor	Total	
	General	Capital Projects	Governmental Funds	Governmental Funds	
REVENUES					
Taxes	\$ 2,036,474	\$ -	\$ -	\$ -	\$ 2,036,474
Licenses and Permits	347,291	-	-	-	347,291
Intergovernmental	319,735	-	-	-	319,735
Charges for Services	287,970	-	-	13,425	301,395
Fines and Forfeitures	59,711	-	-	-	59,711
Interest	52,725	88,688	31,635	17,685	190,733
Miscellaneous	2,232	1,705	-	1,231	5,168
 TOTAL REVENUES	 3,106,138	 90,393	 31,635	 32,341	 3,260,507
 EXPENDITURES					
General Government	349,352	-	-	-	349,352
Public Safety	1,097,309	-	-	-	1,097,309
Streets	256,011	-	-	-	256,011
Parks and Recreation	277,535	-	-	-	277,535
Cemetery	77,029	-	-	47,360	124,389
Capital Outlay	220,100	120,365	196,427	-	536,892
Debt Service					
Interest and Finance Charges	1,785	1,196	-	-	2,981
 TOTAL EXPENDITURES	 2,279,121	 121,561	 196,427	 47,360	 2,644,469
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES					
	827,017	(31,168)	(164,792)	(15,019)	616,038
 OTHER FINANCING SOURCES (USES)					
Impact Fees	-	-	441,411	-	441,411
Transfers from Other Funds	11,000	950,000	-	-	961,000
Transfers to Other Funds	(950,000)	-	-	-	(950,000)
 TOTAL OTHER FINANCING SOURCES (USES)	 (939,000)	 950,000	 441,411	 -	 452,411
 EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES					
	(111,983)	918,832	276,619	(15,019)	1,068,449
 BEGINNING FUND BALANCE	 753,597	 1,744,389	 560,126	 409,890	 3,468,002
 ENDING FUND BALANCE	 \$ 641,614	 \$ 2,663,221	 \$ 836,745	 \$ 394,871	 \$ 4,536,451

See the accompanying notes to the financial statements

ALPINE CITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS	\$ 1,068,449
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*Amounts reported for governmental activities in the statement of activities
are different because*

Property taxes will not be collected for several months after the City's fiscal year end. They are not considered to be available revenues in the governmental funds. Deferred property tax revenues increased by this amount this year.	83,638
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Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,687,539
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Issuance of long-term debt provides current financial resources to government funds. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net difference in the treatment of long-term debt and related items.	4,730
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Some revenues and expenses reported in the statement of activities do not add to or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.	<u>(60,141)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS	<u>\$ 2,784,215</u>
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See the accompanying notes to the financial statements

ALPINE CITY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 1,535,235	\$ 1,535,235	\$ 2,036,474	\$ 501,239
Licenses and Permits	312,400	312,400	347,291	34,891
Intergovernmental	3,000	286,000	319,735	33,735
Charges for Services	145,050	247,050	287,970	40,920
Fines and Forfeitures	50,700	50,700	59,711	9,011
Interest	19,000	19,070	52,725	33,655
Miscellaneous	-	-	2,232	2,232
TOTAL REVENUES	2,065,385	2,450,455	3,106,138	655,683
<u>EXPENDITURES</u>				
General Government	394,940	400,510	349,352	51,158
Public Safety	1,120,040	1,135,040	1,097,309	37,731
Streets	222,860	262,860	256,011	6,849
Parks and Recreation	264,650	357,650	277,535	80,115
Cemetery	63,895	85,895	77,029	8,866
Capital Outlay	-	525,000	220,100	304,900
Debt Service				
Interest and Finance Charges	10,000	10,000	1,785	8,215
TOTAL EXPENDITURES	2,076,385	2,776,955	2,279,121	497,834
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(11,000)	(326,500)	827,017	1,153,517
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from Other Funds	11,000	11,000	11,000	-
Transfers to Other Funds	-	(950,000)	(950,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	11,000	(939,000)	(939,000)	-
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	-	(1,265,500)	(111,983)	1,153,517
FUND BALANCE ALLOCATION	-	1,265,500	-	(1,265,500)
EXCESS (DEFICIT) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	\$ -	\$ -	\$ (111,983)	\$ (111,983)

See the accompanying notes to the financial statements

ALPINE CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-type Activities - Enterprise Funds					Total
	Water	Sewer	Pressurized Irrigation	Garbage	Storm Drain	Enterprise Funds
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 2,040,652	\$ 421,712	\$ 3,125,295	\$ 20,182	\$ -	5,607,841
Accounts Receivable, Net of Allowance for Uncollectibles	23,918	53,541	60,180	35,399	8,276	181,314
Due from Other Funds	-	-	-	12,188	-	12,188
TOTAL CURRENT ASSETS	2,064,570	475,253	3,185,475	67,769	8,276	5,801,343
NONCURRENT ASSETS						
Restricted Assets						
Cash and Cash Equivalents	139,087	952,155	777,984	-	-	1,869,226
Capital Assets						
Water Shares	30,900	-	-	-	-	30,900
Land	219,000	8,000	-	-	164,905	391,905
Buildings and Structures	169,103	45,971	-	-	-	215,074
Improvements	9,696,226	4,301,890	8,926,934	-	2,234,196	25,159,246
Machinery, Equipment and Vehicles	186,510	101,265	39,421	-	-	327,196
Less Accumulated Depreciation	(2,264,913)	(1,324,480)	(881,480)	-	(195,022)	(4,665,895)
TOTAL NONCURRENT ASSETS	8,175,913	4,084,801	8,862,859	-	2,204,079	23,327,652
TOTAL ASSETS	10,240,483	4,560,054	12,048,334	67,769	2,212,355	29,128,995
LIABILITIES						
CURRENT LIABILITIES						
Customer Deposits Payable	31,790	-	-	-	-	31,790
Due to Other Funds	-	-	-	-	12,188	12,188
Compensated Absences	16,080	13,724	11,602	3,528	-	44,934
Accrued Interest Payable	-	-	58,302	-	-	58,302
Contingent Liability	44,791	-	-	-	-	44,791
Annexation Reserve	147,576	-	-	-	-	147,576
Current Portion of Long-Term Debt	-	-	220,000	-	-	220,000
TOTAL CURRENT LIABILITIES	240,237	13,724	289,904	3,528	12,188	559,581
NONCURRENT LIABILITIES						
Bonds Payable	-	-	6,844,450	-	-	6,844,450
TOTAL NONCURRENT LIABILITIES	-	-	6,844,450	-	-	6,844,450
TOTAL LIABILITIES	240,237	13,724	7,134,354	3,528	12,188	7,404,031
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	8,036,826	3,132,646	962,123	-	2,204,079	14,335,674
Restricted						
Capital Projects	139,087	952,155	-	-	60,619	1,151,861
Debt Service	-	-	777,984	-	-	777,984
Unrestricted	1,824,333	461,529	3,173,873	64,241	(64,531)	5,459,445
TOTAL NET ASSETS	\$ 10,000,246	\$ 4,546,330	\$ 4,913,980	\$ 64,241	\$ 2,200,167	\$ 21,724,964

See the accompanying notes to the financial statements

ALPINE CITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Water	Sewer	Pressurized Irrigation	Garbage	Storm Drain	
OPERATING REVENUES						
Charges for Services	\$ 445,059	\$ 470,555	\$ 615,234	\$ 335,763	\$ 84,313	\$ 1,950,924
Connection Fees	13,990	8,850	19,372	-	-	42,212
Miscellaneous	13,293	-	1,200	-	-	14,493
TOTAL OPERATING REVENUES	472,342	479,405	635,806	335,763	84,313	2,007,629
OPERATING EXPENSES						
Salaries, Wages and Benefits	194,778	168,216	134,949	36,110	-	534,053
Operations	114,265	337,551	37,881	296,612	6,447	792,756
Depreciation	212,970	100,195	185,696	-	49,203	548,064
TOTAL OPERATING EXPENSES	522,013	605,962	358,526	332,722	55,650	1,874,873
OPERATING INCOME (LOSS)	(49,671)	(126,557)	277,280	3,041	28,663	132,756
NON-OPERATING REVENUES (EXPENSES)						
Impact Fees	15,107	51,883	120,735	-	49,524	237,249
Interest Income	94,345	56,327	149,876	2,253	655	303,456
Interest Expense	(3,029)	-	(365,348)	-	-	(368,377)
TOTAL NON-OPERATING REVENUES (EXPENSES)	106,423	108,210	(94,737)	2,253	50,179	172,328
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	56,752	(18,347)	182,543	5,294	78,842	305,084
Capital Contributions	158,831	138,430	144,109	-	271,205	712,575
Transfers to Other Funds	(6,000)	(3,500)	-	(1,500)	-	(11,000)
CHANGE IN NET ASSETS	209,583	116,583	326,652	3,794	350,047	1,006,659
TOTAL NET ASSETS AT BEGINNING OF YEAR	9,790,663	4,429,747	4,587,328	60,447	1,850,120	20,718,305
TOTAL NET ASSETS AT END OF YEAR	\$ 10,000,246	\$ 4,546,330	\$ 4,913,980	\$ 64,241	\$ 2,200,167	\$ 21,724,964

See the accompanying notes to the financial statements

ALPINE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Water	Sewer	Pressurized Irrigation	Garbage	Storm Drain	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 470,596	\$ 474,327	\$ 637,866	\$ 334,510	\$ 84,435	\$ 2,001,734
Payments to Suppliers	(92,975)	(337,551)	(37,881)	(296,612)	(6,447)	(771,466)
Payments to Employees	(191,640)	(165,561)	(132,510)	(35,279)	-	(524,990)
NET CASH FLOWS FROM OPERATING ACTIVITIES	185,981	(28,785)	467,475	2,619	77,988	705,278
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Transfers to Other Funds	(6,000)	(3,500)	-	(1,500)	-	(11,000)
Due from Other Funds	-	-	-	(12,188)	-	(12,188)
Due to Other Funds	-	-	-	-	12,188	12,188
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(6,000)	(3,500)	-	(13,688)	12,188	(11,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Impact Fees	15,107	51,883	120,735	-	49,524	237,249
Acquisition of Capital Assets	(23,869)	-	(33,328)	-	(323,652)	(380,849)
Debt Payments	(165,576)	-	(238,362)	-	-	(403,938)
Interest Expense	(3,529)	-	(366,824)	-	-	(370,353)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(177,867)	51,883	(517,779)	-	(274,128)	(917,891)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest Income	94,345	56,327	149,876	2,253	655	303,456
NET CASH FLOWS FROM INVESTING ACTIVITIES	94,345	56,327	149,876	2,253	655	303,456
NET CHANGE IN CASH AND CASH EQUIVALENTS	96,459	75,925	99,572	(8,816)	(183,297)	79,843
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,083,280	1,297,942	3,803,707	28,998	183,297	7,397,224
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,179,739	\$ 1,373,867	\$ 3,903,279	\$ 20,182	\$ -	\$ 7,477,067

See the accompanying notes to the financial statements

ALPINE CITY
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Water	Sewer	Pressurized Irrigation	Garbage	Storm Drain	
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Operating Income (Loss)	\$ (49,671)	\$ (126,557)	\$ 277,280	\$ 3,041	\$ 28,663	\$ 132,756
Adjustments						
Depreciation	212,970	100,195	185,696	-	49,203	548,064
Changes in Assets and Liabilities						
Accounts Receivable, Net	(1,746)	(5,078)	2,060	(1,253)	122	(5,895)
Customer Deposits Payable	21,290	-	-	-	-	21,290
Compensated Absences	<u>3,138</u>	<u>2,655</u>	<u>2,439</u>	<u>831</u>	<u>-</u>	<u>9,063</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 185,981</u>	<u>\$ (28,785)</u>	<u>\$ 467,475</u>	<u>\$ 2,619</u>	<u>\$ 77,988</u>	<u>\$ 705,278</u>

NONCASH TRANSACTIONS

Contributions of Capital Assets from Developers	<u>\$ 158,831</u>	<u>\$ 138,430</u>	<u>\$ 144,109</u>	<u>\$ -</u>	<u>\$ 271,205</u>	<u>\$ 712,575</u>
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See the accompanying notes to the financial statements

ALPINE CITY, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Alpine City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

Alpine City was incorporated in 1855 under the laws of the State of Utah. The City is a municipal corporation governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

General Government: Mayor and City Council, City Administrator, Justice Court, Treasurer and Recorder

Public Safety: Police, Fire and Emergency Medical Services, (through Lone Peak Public Safety District), Building Inspection, Planning and Zoning

Public Works: Streets, Water, Sewer, Garbage, Pressurized Irrigation and Storm Drains

Parks and Recreation: Parks, Cemetery and Recreation

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *capital projects fund* accounts for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The *impact fees fund* accounts for the collection of governmental fund type impact fees and the related acquisition or construction of capital facilities in accordance with the City's capital facilities plans.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.

The *sewer fund* accounts for the activities of the City's sewer treatment operations.

NOTE 1 - (CONTINUED)

The *pressurized irrigation fund* accounts for the activities of the City's pressurized irrigation distribution operations.

The *garbage fund* accounts for the activities of the City's solid waste collection.

The *storm drain fund* accounts for the activities of the City's efforts to provide storm drains.

Activities of these five funds include administration, operations and maintenance of the water, sewer, pressurized irrigation, garbage collection and storm drain systems, and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all enterprise fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

NOTE 1 - (CONTINUED)

C. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and structures	20-50 years
Improvements and infrastructure	10-50 years
Machinery, equipment and vehicles	5-15 years

D. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of one day per month. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate up to 90 days of sick leave. Employees who retire are paid 25% of accumulated sick leave at retirement. The City will pay the cost of the employee's health insurance for one month for every two days of sick leave remaining after the cash payout.

E. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 - (CONTINUED)

F. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

G. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. . These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Deferred Revenue

Property taxes due November 30, 2006 and unpaid from 2005 are shown as deferred revenue.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

NOTE 2 - (CONTINUED)

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 13,956,562
Buildings and Structures	1,423,951
Improvements and Infrastructure	19,158,162
Machinery, Equipment and Vehicles	462,913
Less Accumulated Depreciation	<u>(8,245,203)</u>
Net Capital Asset Difference	<u>\$ 26,756,385</u>

Other Long-Term Asset Differences

Property taxes due in November 2006 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2006	<u>\$ 655,704</u>
---	-------------------

Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Long-Term Compensated Absences	<u>\$ (248,711)</u>
--------------------------------	---------------------

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 500,811
Developer Contributions	1,943,245
Depreciation Expense	<u>(756,517)</u>
Net Difference	<u>\$ 1,687,539</u>

NOTE 2 - (CONTINUED)

Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Principal Repayments	
Capital Leases	\$ <u>4,730</u>

Other Revenue and Expense Differences

The change in long-term compensated absences is not reported in the statement of revenues, expenditures and changes in fund balance. This change is reported in the statement of activities. The detail of this difference is reported below:

Change in Long-Term Compensated Absences	\$ <u>(60,141)</u>
--	--------------------

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor and the City Manager submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

NOTE 3 - (CONTINUED)

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

Deposits and investments for City government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$198,593 of the City's bank balances of \$298,593 were uninsured and uncollateralized.

NOTE 4 - (CONTINUED)

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The City government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

The following are the City's investments at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ 11,889,727	\$ 11,889,727	\$ -	\$ -	\$ -
U.S. Treasuries	<u>777,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>777,984</u>
Total Investments	<u>\$ 12,667,711</u>	<u>\$ 11,889,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 777,984</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

NOTE 4 - (CONTINUED)

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ (22,716)
Investments	12,667,711
Cash on Hand	<u>2,783</u>
Total	<u>\$ 12,647,778</u>
Cash and Cash Equivalents	\$ 8,956,998
Restricted Cash and Cash Equivalents	<u>3,690,780</u>
Total	<u>\$ 12,647,778</u>

NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2006 are presented in the schedule below.

Property taxes are levied on January 1 of 2006, are due in November of 2006, and are budgeted for the 2006 fiscal year. Even though they are not intended to fund the 2006 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the City.

The following is a summary of receivables at June 30, 2006:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 70,308	\$ 181,314	\$ 251,622
Property Taxes Receivable	669,432	-	669,432
Franchise Taxes	<u>16,719</u>	<u>-</u>	<u>16,719</u>
Total	<u>\$ 756,459</u>	<u>\$ 181,314</u>	<u>\$ 937,773</u>

NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2006.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 12,604,562	\$ 1,352,000	\$ -	\$ 13,956,562
Capital Assets being Depreciated				
Buildings and Structures	1,397,548	26,403	-	1,423,951
Improvements and Infrastructure	18,102,618	1,055,544	-	19,158,162
Machinery, Equipment and Vehicles	<u>452,804</u>	<u>10,109</u>	<u>-</u>	<u>462,913</u>
Total	32,557,532	2,444,056	-	35,001,588
Less Accumulated Depreciation	<u>(7,488,686)</u>	<u>(756,517)</u>	<u>-</u>	<u>(8,245,203)</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,068,846</u>	<u>\$ 1,687,539</u>	<u>\$ -</u>	<u>\$ 26,756,385</u>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2006.

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 391,905	\$ -	\$ -	\$ 391,905
Water Shares	30,900	-	-	30,900
Capital Assets being Depreciated				
Buildings and Structures	215,074	-	-	215,074
Improvements and Infrastructure	24,072,536	1,086,710	-	25,159,246
Machinery, Equipment and Vehicles	<u>320,482</u>	<u>6,714</u>	<u>-</u>	<u>327,196</u>
Total	25,030,897	1,093,424	-	26,124,321
Less Accumulated Depreciation	<u>(4,117,831)</u>	<u>(548,064)</u>	<u>-</u>	<u>(4,665,895)</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,913,066</u>	<u>\$ 545,360</u>	<u>\$ -</u>	<u>\$ 21,458,426</u>

Depreciation was charged to the functions/programs of the primary government as follows:

Government Activities	
General Government	\$ 28,930
Streets	645,460
Parks and Recreation	71,633
Cemetery	<u>10,494</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 756,517</u>
Business-type Activities	
Water	\$ 212,970
Sewer	100,195
Pressurized Irrigation	185,696
Storm Drain	<u>49,203</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 548,064</u>

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts Payable	\$ 44,912	\$ -
Customer Deposits Payable	-	31,790
Accrued Interest Payable	-	58,302
Developer Completion Bonds Payable	207,089	-
Infrastructure Protection Bonds Payable	387,180	-
Open Space Bonds Payable	57,540	-
Annexation Reserve Payable	-	147,576
Total Accounts Payable and Accrued Liabilities	\$ <u>696,721</u>	\$ <u>237,668</u>

The City collects deposits from those wishing to develop subdivisions within the City. The City also collects deposits from developers to ensure that the City's infrastructure is protected during construction. These amounts are deposited into the City's bank account. The original deposit and any interest earned on the accounts is returned to the developer after the related project is completed.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The City is involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury and civil rights violations, and disputes over development fees. The policy of the City is to vigorously defend all claims against the City. The insurance company covers most costs to defend the City against claims. However, the City has accrued contingent liabilities to cover potential losses which may arise from the various lawsuits and claims which may not be fully covered by insurance. At June 30, 2006, \$44,791 remained on the books for potential losses.

NOTE 9 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Capital Leases					
2000 GMC ½ Ton Pickup	\$ 4,730	\$ -	\$ (4,730)	\$ -	\$ -
Compensated Absences	<u>218,777</u>	<u>68,228</u>	<u>-</u>	<u>287,005</u>	<u>38,294</u>
	<u>\$ 223,507</u>	<u>\$ 68,228</u>	<u>\$ (4,730)</u>	<u>\$ 287,005</u>	<u>\$ 38,294</u>
<u>Business-type Activities</u>					
Revenue Bonds					
2001 Water	\$ 7,600,000	\$ -	\$ (405,000)	\$ 7,195,000	\$ 220,000
Capital Leases					
2000 GMC Extended Cab	5,576	-	(5,576)	-	-
Compensated Absences	<u>35,871</u>	<u>9,063</u>	<u>-</u>	<u>44,934</u>	<u>44,934</u>
	<u>\$ 7,641,447</u>	<u>\$ 9,063</u>	<u>\$ (410,576)</u>	<u>7,239,934</u>	<u>\$ 264,934</u>
Unamortized Bond Issuance Costs and Discounts				<u>(130,550)</u>	
				<u>\$ 7,109,384</u>	

NOTE 9 - (CONTINUED)

Long-term debt and obligations payable at June 30, 2006 were as follows:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<u>Governmental Activities</u>				
Compensated Absences			<u>\$ 38,294</u>	<u>\$ 248,711</u>
Total Governmental Activities Long-term Debt			<u>\$ 38,294</u>	<u>\$ 248,711</u>
<u>Business-type Activities</u>				
Bonds Payable				
Water Revenue Bonds, Series 2001, Dated March 15, 2001, (original amount-- \$8,905,000)	3.20% to 5.25%	2026	\$ 220,000	\$ 6,975,000
Compensated Absences			44,934	-
Unamortized Bond Issuance Costs and Discounts			-	(130,550)
Total Business-type Activities Long-term Debt			<u>\$ 264,934</u>	<u>\$ 6,844,450</u>

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 220,000	\$ 349,810
2008	230,000	340,948
2009	240,000	331,427
2010	250,000	320,257
2011	260,000	308,418
2012-2015	1,520,000	1,328,144
2016-2020	1,955,000	887,765
2021-2025	<u>2,520,000</u>	<u>327,500</u>
	<u>\$ 7,195,000</u>	<u>\$ 4,194,269</u>

NOTE 10 - RESERVED FUND EQUITY

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of City streets and roads. The City's bond covenants require certain reservations of retained earnings in the water and sewer funds. Utah State statute requires unexpended impact fees held at year-end to be reserved for future expansion in the charging department or fund. A perpetual trust fund is designed to provide future operating costs for the cemetery. Funds are collected at the time a lot is sold and a percentage of the fee is transferred to the trust fund. In addition, funds have been designated for various capital projects.

NOTE 11 - RETIREMENT PLANS

Plan Description

Alpine City contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement systems, 540 East 200 South Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Alpine City is required to contribute 11.09% of plan members' annual covered salary. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Alpine City's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2006, 2005, and 2004 were \$65,464, \$64,136 and \$49,800 respectively. The contributions were equal to the required contributions for each year.

NOTE 12 - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 401(k) for some City employees covered by the State's contributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City participates at rates between 0% and 8.25% depending on the employee's contributions. The rate of City participation can be changed by the City Council. During the year ended June 30, 2006, contributions totaling \$25,428 were made to the plan by employees and \$29,043 by the City.

NOTE 13 - RISK MANAGEMENT

Alpine City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The City pays an annual premium to ULGT for its general insurance coverage.

The City also carries comprehensive general liability insurance coverage through a commercial insurance company. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

NOTE 14 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ 11,000	\$ 950,000
Capital Improvements	950,000	-
Water	-	6,000
Sewer	-	3,500
Garbage	-	1,500
	<u>\$ 961,000</u>	<u>\$ 961,000</u>

SUPPLEMENTARY INFORMATION

ALPINE CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>		
Restricted Cash and Cash Equivalents	<u>\$ 394,871</u>	<u>\$ 394,871</u>
 TOTAL ASSETS	 <u>\$ 394,871</u>	 <u>\$ 394,871</u>
 <u>FUND EQUITY</u>		
<u>FUND BALANCE</u>		
Reserved for Endowments	<u>\$ 394,871</u>	<u>\$ 394,871</u>
 TOTAL FUND EQUITY	 <u>\$ 394,871</u>	 <u>\$ 394,871</u>

ALPINE CITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES		
Charges for Services	\$ 13,425	\$ 13,425
Interest	17,685	17,685
Miscellaneous	1,231	1,231
TOTAL REVENUES	32,341	32,341
EXPENDITURES		
Cemetery	47,360	47,360
TOTAL EXPENDITURES	47,360	47,360
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(15,019)	(15,019)
BEGINNING FUND BALANCE	409,890	409,890
ENDING FUND BALANCE	\$ 394,871	\$ 394,871

ALPINE CITY

SCHEDULE OF IMPACT FEES

FOR THE YEAR ENDED JUNE 30, 2006

Alpine City collects streets, parks and recreation, water, sewer, pressurized irrigation and storm drain impact fees. The following is a recap of the impact fees outstanding by year of collection:

Year Collected	Streets	Parks and Recreation	Water	Sewer	Pressurized Irrigation	Storm Drain
2000	\$ -	\$ -	\$ -	\$ 148,946	\$ -	\$ -
2001	-	-	-	295,088	-	-
2002	-	-	-	96,615	-	-
2003	56,364	-	63,500	121,031	-	-
2004	115,837	104,967	22,507	92,565	-	-
2005	77,978	206,916	31,763	108,323	-	10,339
2006	120,862	178,581	21,317	89,587	-	50,280
Total	\$ 371,041	\$ 490,464	\$ 139,087	\$ 952,155	\$ -	\$ 60,619

The following capital projects are planned to use the impact fees shown above:

Capital Project Planned	Projected Cost	Estimated Starting Date	Type of Impact Fee
Westfield Road Construction	\$ 370,000	4-07	Streets
Whitby Property Acquisition City Park	\$ 400,000	8-06 (done)	Parks
Master Plan	\$ 50,000	2-07	Parks
Patterson Lane Water Line	\$ 37,290	5-08	Water
Fort Canyon Sewer Line	\$ 550,000	5-07	Sewer
Canyon Crest-Healey Storm Drain	\$ 39,380	5-08	Storm Drain

STATE LEGAL COMPLIANCE REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

October 24, 2006

**The Honorable Mayor
Members of the City Council
Alpine City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Alpine City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued my report thereon dated October 24, 2006. As part of my audit, I have audited Alpine City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)**

My audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

**Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property
Tax Limitations
Class C Road Funds**

**Special Districts
Other General Issues
Uniform Building Code Standards
Liquor Law Enforcement
Justice Court
Impact Fees
Asset Forfeiture**

The management of Alpine City is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed one immaterial instance of noncompliance with the requirements referred to above which is described in the accompanying management letter. I considered this instance of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, Alpine City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.


Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 24, 2006

Honorable Mayor
Members of the City Council
Alpine City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alpine City, Utah (City), which collectively comprise the City's basic financial statements and have issued my report thereon dated October 24, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

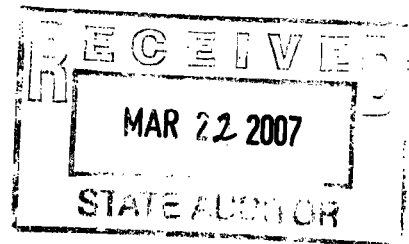
In planning and performing my audit, I considered Alpine City, Utah's control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alpine City, Utah's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, the City's management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.


Greg Ogden
Certified Public Accountant



ALPINE CITY, UTAH

MANAGEMENT LETTER
JUNE 30, 2006

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

October 24, 2006

Honorable Mayor
Members of the City Council
Alpine City, UT

Council Members:

The primary purpose of my audit of the basic financial statements of Alpine City, Utah for the year ended June 30, 2006, was to enable me to form an opinion as to the financial position of the City at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the City's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the financial statements. I have not performed any auditing procedures beyond the date of my opinion on the financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.


In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2006. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the City's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of Alpine City. However, this report is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.


Greg Ogden,
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE FINDING

FINDING - DEFICIT IN UNRESTRICTED NET ASSETS IN STORM DRAIN FUND

The City spent a significant amount on storm drain improvements during the 2006 fiscal year. These improvements increased the City's investment in capital assets which resulted in a decrease in unrestricted capital assets available at year-end. At June 30, 2006, the City had a deficit of \$64,531 for storm drain unrestricted net assets.

RECOMMENDATION

This deficit will need to be resolved during the 2007 fiscal year. Normal operations may be sufficient to eliminate the deficit, but it may require an operating transfer. You should carefully monitor this fund to ensure that if spending outpaces the flow of income, deficits do not occur.

RESPONSE - ALPINE CITY

We believe this deficit in unrestricted net assets will resolve itself during the course of the 2007 fiscal year. We will take care to ensure that it is a positive balance by June 30, 2007.

FINDING - SEWER IMPACT FEES

The City is required to spend or encumber impact fees within six years of their collections. Sewer impact fees totaling \$148,946 were collected in 2000, but have not yet been spent. Cities are allowed to hold impact fees longer than six years if they identify in writing 1) an extraordinary and compelling reason why the fees should be held longer than six years, and 2) an absolute date by which the fees will be expended.

RECOMMENDATION

I recommend that a written justification for holding the impact fees longer than six years be prepared. Otherwise the fees should be refunded to those from whom they were collected.

RESPONSE - ALPINE CITY

We have been accumulating the sewer impact fees in anticipation of a major project. The project will obligate several years worth of impact fees. It will be implemented in December of 2006.